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# AGRICULTURAL COOPERATION

February 9, 1929.

Vol. VII, No. 3.

## COOPERATIVES IN BIG BUSINESS

Many farmer-owned and controlled cooperatives are now in the "big business" class.

The 12 associations affiliated with the National Live Stock Producers' Association Chicago, handled livestock to the value of \$133,000,000 in 1928.

The California Fruit Growers' Exchange, Los Angeles, sold citrus fruit for its 206 local units to the value of \$96,500,000 during the 12 months ending October 31, last.

The Dairymen's League Cooperative Association, New York, representing 71,000 dairymen, sold products valued at \$82,500,000 in the year ending March 31, 1928.

The 13 affiliated associations of the American Cotton Growers' Exchange, Dallas, Tex., had sales of \$70,900,000 for 1927-28.

Some other "big business" cooperatives and their sales, are: Land O'Lakes Creameries, Inc., Minneapolis, a federation of more than 400 creameries, about \$50,000,000; Central Cooperative Association, South St. Paul, selling agent for livestock shipping associations in five states, \$33,000,000; Inter-State Milk Producers, Philadelphia, acting for 25,968 members, \$28,500,000; Washington Cooperative Egg and Poultry Association, Seattle, 8,133 members, approximately \$19,000,000; Staple Cotton Cooperative Association, Greenwood, Miss., \$16,800,000; Challenge Cream and Butter Association, Los Angeles, approximately \$16,000,000.

LEGAL, ECONOMIC, AND ORGANIZATION INFORMATION  
COLLECTED BY THE DIVISION OF COOPERATIVE MARKETING  
BUREAU OF AGRICULTURAL ECONOMICS  
UNITED STATES DEPARTMENT OF AGRICULTURE  
WASHINGTON, D.C.

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## COOPERATIVE POTATO MARKETING IN MICHIGAN

The tenth annual report of the Michigan Potato Growers' Exchange has been issued in the form of a pamphlet of 24 pages. The publication contains the address of the president of the Exchange, the reports of the general manager and the treasurer, and an account of the tenth annual meeting held in Cadillac, August 15 and 16, 1928.

The association during its tenth year of activity shipped 1,765 cars of potatoes of table-stock grade. These cars were loaded by 62 local associations and sold to 312 buyers, located in 137 cities in 10 states and the District of Columbia.

For the last five years the Exchange has been marketing seed potatoes. During the 1927-28 year it sold 69,802 bushels of certified seed and 6,406 bushels of common seed. The shipments constituted 92 car loads.

Sales by the purchasing department during the Exchange's tenth year amounted to \$111,075. Among the supplies handled were 526,765 potato bags, 200,274 pounds of poison for spraying, 124,550 pounds of lime, 4,918 pounds of twine, 2,388 rolls of paper for car lining, 27 gallons of paint, and 712 pounds of coffee.

Fifty-two delegates, representing the same number of local associations, attended the annual meeting and adopted resolutions favoring an increase in the import duty on Irish potatoes, and a resolution urging the application of the potato grades to stock sold directly from the field by truckers.

The history of this farmer-owned cooperative is given in part by the following figures:

Season	Locals shipping potatoes	Table-stock shipped (Cars)	Total shipments* (Cars)	Total business**
1918-19	52	2,118	2,227	\$1,808,946
1919-20	85	2,158	3,085	4,815,103
1920-21	129	3,250	3,622	- - - - -
1921-22	103	2,439	2,520	1,777,829
1922-23	110	2,922	2,931	1,097,910
1923-24	105	3,122	3,286	1,850,121
1924-25	78	2,867	2,962	- - - - -
1925-26	75	2,982	- - -	- - - - -
1926-27	69	3,013	- - -	3,135,365
1927-28	62	#1,765	#1,857	#1,451,823

\* Including apples, cabbage, hay, rye, seed potatoes, etc.

\*\* As indicated by bank deposits.

# Small potato crop owing to unfavorable weather conditions.



### MELON GROWERS JOINING COOPERATIVE

Thirty-five new members joined the ranks of the Sowega Melon Growers' Association, Adel, Ga., in the first 15 days of the new year, and a number of growers renewed their contracts. The association is a pioneer in the cooperative marketing of watermelons, and its growth and development have been the results of service rendered to the growers. The management feels that when a grower who has been a member of the association for eight years voluntarily sends in a renewal for another five years, it is a definite evidence of satisfaction.

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### EXPORT MARKETS FOR WASHINGTON APPLES

Three new export markets have been added to the list of the Yakima Fruit Growers' Association, Yakima, Wash., this season, the three being China, Mexico and the Philippines. England, Scandanavia and Germany have received many shipments from the association for a number of years. Small lots of 100 to 200 boxes of apples had been shipped to China previously and had helped to develop the market. This season about 10,000 boxes have been shipped to that country and another order for 6,000 boxes had to be refused as the varieties desired were not available. Eight cars were sent to Mexico.

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### ONE-HALF OF MEMBERSHIP AT ANNUAL MEETING

One-half of the membership of the United Fruit Growers' Association, Palisade, Col., attended the annual meeting held in January. Since the organization of the association April 16, 1923, the membership has increased to more than 200. A total of 4,000 cars of fruit, with a sales value of \$2,666,000 have been shipped. The net operating profit for the six years, 1923-1928, inclusive, amounts to \$127,868. The greater part of this amount has gone into working capital, which is the only capital possessed by the organization. Earnings are distributed after being in the working capital account five years, on the basis of the number of packages delivered the first year of the five. Patronage dividend checks, amounting to \$14,757 for the 1924 season, were distributed at the close of the recent annual meeting.

The amount of working capital at the close of the several years is given by the management as follows: 1923, \$35,992; 1924, \$44,843; 1925, \$38,586; 1926, \$65,620; 1927, \$74,262; 1928, \$69,397.

Peaches, pears and grapes are shipped by the association.

### FARMERS UNION EXCHANGE LEASES WAREHOUSE AND ELEVATOR

As a part of an expansion program, the Farmers' Union Exchange, St. Paul, Minn., has leased a new municipal grain warehouse and also the large Equity elevator adjoining. Through these properties the Exchange plans to load barges with grain and feeds for shipment down the Mississippi River, and also to assemble mixed cars of feed, flour, salt, and other commodities, to fill orders. The storage space afforded by both buildings will also be of great value.

The warehouse was built by the city of St. Paul by means of a bond issue of \$175,000. Its equipment is not yet fully completed. It stands on the bank of the Mississippi River and is connected with the large Equity elevator by grain spouts and carriers. The Farmers' Union Exchange has secured a long-time lease on the elevator and expects to be able to render more efficient service through the use of these two properties.

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### COOPERATIVE FEATURES IN FARMERS' ELEVATORS

Reports to the Department of Agriculture from about 1,500 farmers' elevator associations indicate that more than 97 per cent are farmer-owned and farmer-controlled. The officers of about 71 per cent of the organizations consider the associations cooperative enterprises. The organization set-up of 69 per cent of the associations provide that stockholders shall have but one vote each. In the case of 77 per cent of the organizations there are limitations to the amount of stock that can be held by an individual and for 62 per cent of the associations there are limitations as to the per cent of dividends payable on capital stock. Nearly 73 per cent of the associations pay patronage dividends to stockholders and 22 per cent pay some patronage dividends to nonstockholders. But 15 per cent of the associations pay full patronage dividends to nonstockholders.

There is considerable variation for the associations in the different producing areas. Eighty-four per cent of the associations in the winter-wheat area consider themselves as cooperative enterprises. Seventy-eight per cent of the associations in the spring-wheat area list themselves as cooperative, 76 per cent in the soft-wheat area, 64 per cent in the Corn Belt, and 42 per cent in the Pacific Coast area.

The percentage of associations in the various areas with provision for paying full patronage dividends to nonstockholders are as follows: spring-wheat area, 27 per cent; Corn Belt, 16 per cent; soft-wheat area, 8 per cent; Pacific Coast area, 6 per cent; and winter-wheat area, 2 per cent.

### NATIONAL LIVESTOCK PRODUCERS REPORT

Sales amounted to \$138,263,824 for the 6,133,821 head of cattle handled in 1928 by the twelve affiliated cooperative marketing agencies of the National Live Stock Producers' Association, Chicago, Ill.

The association representatives, at the annual meeting held in Chicago, January 23-26, 1929, decided to organize a national credit corporation large enough to handle production loans of a million dollars or more, and to establish a research bureau for the purpose of collecting, tabulating and analyzing economic information bearing upon livestock marketing.

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### LOW EXPENSES FOR LIVESTOCK SHIPPING ASSOCIATION

With home expenses of \$3,052 the Montgomery County Shippers' Association, Crawfordsville, Ind., marketed 30,175 animals last year, with an f. o. b. value of \$435,318. The shipments, which were made largely to the Indianapolis market, included 1,097 cattle, 1,349 calves, 25,159 hogs, and 2,570 sheep. The home weight of these animals was 7,044,250 pounds. The average marketing cost per hundredweight, as reported by the management, was 41.6 cents.

The number of animals shipped each of the last five years is as follows: 1924, 46,002 animals; 1925, 32,990; 1926, 29,743; 1927, 31,334; 1928, 31,175.

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### SPECIAL TYPE OF COOPERATIVE LIVESTOCK ASSOCIATION

Business transactions of the Eastern States Company, Columbus, Ohio, last year included sales of 450,878 animals valued at \$7,636,975. Of this amount \$5,500,000 represented purchases on terminal markets for shipment to packer-buyers. Cattle, calves, hogs and sheep to the value of more than \$2,000,000 were shipped direct from producing sections and local concentration points. The association assisted in the movement last year of about 300 cars of feeding animals from western ranges to Corn Belt feed lots.

The Eastern States Company is affiliated with the National Live Stock Producers' Association. It was formed in 1923. In 1927, 262,670 animals were purchased in the Columbus, Cleveland, Pittsburgh, and Buffalo markets. These animals had a sales value of \$6,955,292.



LAMB AND CATTLE FEEDER POOLS

Lambs and cattle to the number of 104,606 were moved from western ranges to Corn Belt feed lots last year by the National Live Stock Producers' Feeder Pool, Chicago, Ill. A total of 82,504 lambs were distributed to nearly 200 livestock feeders in the Corn Belt. These lambs had a sales value of \$631,907. They came from ranges in Nevada, Montana, Idaho, and Oregon. The average cost per head to the buyers was \$7.53.

Cattle numbering 22,102, with a sales value of \$1,351,633, were similarly distributed to midwest and eastern cattle feeders. The animals came from Texas, Kansas, New Mexico, Missouri, and Colorado.

At the annual meeting of the association, held January 25, plans were developed for cooperating with the National Credit Corporation which the National Live Stock Producers' Association is setting up. It is expected that credit will be available for facilitating livestock production and for feeding operations.

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LIVESTOCK COOPERATIVE IN CANADA

At the close of its first year of business, December 31, 1928, the Central Livestock Cooperative, Ltd., Winnipeg, Man., was able to report that it had led all other firms at the St. Boniface yards by handling 1,861 cars of livestock. The nearest competitors handled 1,787 and 1,461 cars, respectively.

Of the total receipts by the Central Livestock Cooperative, 397 cars came from Manitoba, 924 cars from Saskatchewan, and 40 cars from Alberta.

Since the first of January the Central Livestock Cooperative has been the only cooperative agency at the St. Boniface yards, as the United Livestock Growers, Ltd., a subsidiary of the United Grain Growers, Ltd., withdrew at that time. This step was recommended by the directors of the Grain Growers and approved by the stockholders at the last annual meeting. Under the new organization members are under contract to sell their livestock through their own association.

In order to build up a strong and efficient selling agency for the prairie provinces, the association is deducting a small percentage of net sales for organization work. This deduction varies in the different provinces. In Manitoba it is one-half of one per cent.

Until all districts of the provinces are organized, the association is handling stock for nonmembers on the regular commission plan.

IOWA LIVESTOCK ASSOCIATIONS CONSIDER TRUCKING

"Shipping associations should get into the game of furnishing trucking service," is part of the advice given by the president of the Iowa Cooperative Live Stock Shippers, at the recent ninth annual meeting in Des Moines. This association is a federation of 181 local Iowa livestock shipping associations. It was formed in 1920 for the purpose of performing service work for the local units. During the past nine years it has given assistance in the matter of organizing, reorganizing and incorporating local associations. It has furnished an auditing service on practically a cooperative basis, and has assisted many local associations in the preparation of income tax statements. It has collected claims for local units, furnished legal assistance, and handled legislative matters of importance for Iowa associations. The association has given attention to the condition of local livestock yards, and during 1928 obtained improvements in yard facilities in 32 instances. It has also given attention to securing market outlets and working out details of obtaining premiums for hogs free from tuberculosis.

Ten local associations joined the federation during 1928, four associations cancelled their memberships, and two associations went out of business.

The delegates to the annual meeting adopted resolutions favoring a uniform system of accounting for local associations, the auditing of the accounts of locals by professional accountants, the printing of annual reports of locals, and holding directors' meetings monthly. The delegates also adopted resolutions favoring the establishment of a traffic bureau by the federation, in order that service may be given in the auditing of freight bills and the collection of claims. The delegates also placed themselves on record as favoring an amendment to the Iowa cooperative law, whereby it would be unlawful to solicit livestock from a member of a local association who had signed an agreement to deliver his livestock to the association.

The president of the federation urged that educational work with livestock shippers should be pushed with renewed enthusiasm.

The income of the association for the year amounted to \$11,511, and expenses were \$11,140.

SEVENTH YEAR COMPLETED BY ST. LOUIS PRODUCERS

Sixteen thousand seventy-one cars of livestock handled in 1928, is the record of the Producers' Live Stock Commission Association, East St. Louis, for its seventh and largest year of operation. The increase over 1927 was 1,339 cars, or 9 per cent. For the various years, figures are as follows: 1922, 6,444 cars; 1923, 11,101; 1924, 14,053; 1925, 12,371; 1926, 13,599; 1927, 14,739; 1928, 16,071; a total of 88,578 cars.

The total number of animals handled by the association in 1928 was 1,167,657, made up as follows: cattle, 92,521; calves, 90,838; hogs, 895,325; sheep, 88,973. Gross sales amounted to \$27,353,654, and net earnings were \$72,548.

Stock came to the association from 13 states, by far the largest number of cars coming from Missouri, Illinois and Iowa. The truck and river shipments for the year were equivalent to 2,333 cars.

Nearly 200 delegates attended the annual meeting on January 22, and heard the reports of the past year's work. The treasurer reported a surplus of approximately \$100,000. The manager stated that the income per car amounted to \$17.28, with an expense of \$12.77, leaving a saving of \$4.51 per car, while the additional saving because of lower commissions brought the total savings to approximately \$8.69 per car.

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INCREASED SALE OF FARM SUPPLIES BY OHIO COOPERATIVE

Supply sales by the Fayette Producers Company, Washington Court House, Ohio, were larger in 1928 than in any previous year in the history of this farmer-owned and -controlled cooperative. The figures for the year are \$153,418 compared with \$104,178 for 1925, the next best year. The refunds on supplies sold in 1928 were \$9,549, or \$3,667 more than for 1925.

A somewhat smaller livestock business was handled by this association last year than in 1927. The number of floors of livestock shipped in 1928 was 1,897 compared with 2,124 for 1927. The total number of animals handled was 132,816 in 1928 and 142,706 in 1927. The number of animals of each kind shipped during the last year was as follows: hogs, 119,004; sheep, 8,887; calves, 4,466; and cattle, 459. The animals shipped in 1928 had a net shipping weight of 26,160,775 pounds and their net value was \$2,506,258.

The number of stockholders of the association increased during 1928 from 1,027 to 1,051 and the net worth of the company increased from \$38,535 to \$44,990.

The number of floors of livestock shipped direct to packers during the past five years has been as follows: 1924, 114 floors; 1925, 672; 1926, 878; 1927, 1,573; 1928, 1,223. The loyalty livestock refund to farmers for 1928 amounted to \$3,032. This refund is made to members who ship all their livestock through the association.



CALIFORNIA POULTRY ASSOCIATION SHOWS GAIN

At the close of its fifteenth year the Tulare Cooperative Poultry Association, Tulare, Calif., reported a total business of \$266,632, a gain of 20 per cent over the previous year's business of \$221,398. Expenses were \$14,112, a decrease of 2.3 per cent from the figures for 1927.

There was an increase of 1,312 in the number of cases of eggs marketed. There was also an increase in the quantity of whole grain sold with poultry feeds. A stock of baby-chick supplies, such as brooders, incubators, feeders, founts, etc., is to be handled, which will further increase the value of the association as a service organization.

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HANDLING EGGS BY THE ALLOTMENT PLAN

In order to make an equitable distribution of its supplies of eggs during the active storing season of February 25 to June 22, the Pacific Egg Producers, New York City, has adopted a "car allotment plan." 1) The association makes an estimate of all cars of storage packed eggs available for that period. 2) On February 18 the association closes its books, balances estimated supplies and orders, and advises applicants as to their allotments. 3) On Monday prior to the scheduled week of shipment, the association announces prices on all grades, f.o.b. shipping point, and applications not cancelled within four days became orders. Cars are shipped with drafts attached to order bill of lading.

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PATRONAGE REFUND FOR SAN DIEGO POULTRYMEN

Net earnings of the San Diego Poultry Association, San Diego, Calif., have amounted to \$340,043 in the last 12 years. The figure for 1923 was \$31,508. For each of the 12 years the record is as follows:

1917 -- \$2,601	1921 -- \$36,906	1925 -- \$48,030
1918 -- 4,412	1922 -- 32,167	1926 -- 33,647
1919 -- 13,518	1923 -- 35,212	1927 -- 41,291
1920 -- 16,024	1924 -- 41,127	1928 -- 31,508

At a special meeting held in January the board of directors authorized a refund of  $4\frac{1}{2}$  per cent amounting to \$28,700 on the business of 1923. The regular 6 per cent stock dividend was paid in December.

The San Diego Poultry Association is engaged in the collective buying of poultry feeds and poultry supplies and is a sister organization to the Poultry Producers of San Diego, an egg marketing enterprise.



MARKETING POULTRY AND EGGS IN MANITOBA

Figures for the year 1928, issued by the Manitoba Cooperative Poultry Marketing Association, Ltd., show shipments equivalent to 72 cars of dressed poultry, 135 cars of eggs, and 10 cars of culled live hens. The dressed poultry season extended only from November 29 to December 14, and poultry enough to fill 72 cars was graded, packed and shipped from 102 shipping points, all the work being done by the producers themselves. The total weight of this poultry was 1,211,160 pounds, and the value was approximately \$360,000. This was 10 car loads more than in 1917. Four car loads were sold in Winnipeg, all the rest going to eastern Canada.

The Manitoba Cooperative Poultry Marketing Association was formed in 1922. The first year it had 700 members and made sales of \$39,000. Since that time the membership has increased to 11,670 and the volume of business to \$900,000.

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NEW TYPE OF EGG MARKETING ASSOCIATION

Approximately 200,000 cases of eggs were marketed during 1928 by the members of the Quality Egg Club, Vineland, N. J. This club includes about 350 of the members of the Vineland Cooperative Poultry Association, Inc., and was formed for the purpose of "placing on the New York market a quality package, standard as to quality and grading." Beginning with one receiver "who was willing to pay a premium of one cent per dozen for eggs weighing 23 ounces or more," the number of receivers has increased to 12 and the premium has increased to two cents.

Members of the club agree to gather eggs twice a day, to keep them clean, and to grade them properly. Eggs forwarded to market by members of the club carry the label of the organization.

Club members and receivers hold annual meetings at which they decide upon the premium to be paid. Any shipper or receiver may withdraw from the marketing arrangement by giving notice of his intention two weeks in advance.

The club is in fact an organization for bargaining as to premiums to be paid. Each member grades, packs and ships the eggs from his own flock. He sends them to any one of the receivers who have entered into the agreement as to the premium to be paid for quality products. Receivers settle directly with the members of the club.

There are several other organizations in New Jersey operating on about the same marketing plan.

### MARYLAND TOBACCO ASSOCIATION SERVES GROWERS

A few of the outstanding things which the Maryland Tobacco Growers' Association, Baltimore, has accomplished in 1928, the ninth year of the association, are enumerated by the directors in the first issue of its new publication, "Maryland Tobacco Grower." During 1928 the association increased receipts over 1927; obtained the highest average price for tobacco on the Baltimore market; maintained the market throughout the year, selling tobacco at the most favorable prices and paying promptly; handled the crop with intelligence as to supply and demand; increased the membership; increased sales of fertilizers; increased sale of high grade seed; loaned \$661,052 to members for production and orderly marketing of tobacco; developed stronger morale among members.

The organization has gained strength in recent years and is now "standing on its own feet" and serving the tobacco farmers in many ways. It still feels the need of a larger number of growers in its membership.

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### BIG WALNUT CROP MARKETED COOPERATIVELY

The 1927-28 marketing season for the California Walnut Growers' Association, Los Angeles, Calif., was made memorable by the delivery of much the largest quantity of nuts in the history of the organization. The association received and packed 70,190,000 pounds, more than 700,000 bags, of unshelled walnuts, and it received slightly more than 15,000,000 pounds of culls which cracked out 3,800,000 pounds of meats. It handled, according to the management, 84 per cent of the state's crop of walnuts.

The handling of the large crop taxed the marketing facilities of the association to the limit. It was only by special work with retailers, special advertising, and by price reductions, that it was possible to move the big crop into the channels of trade.

The handling of the cull nuts required more than a thousand individuals working in day and night shifts.

Four hundred thousand bags of nuts were individually branded by the diamond trade-mark of the association. The management in speaking of this feature of the marketing program, says, "The branding of our top grade is doubtless proving the best investment the association has ever made, as only through this practice is it possible to identify to the consumer our highest grade and highest-priced pack. As a result our branded goods are already enjoying a market preference over any competitor's top pack, a preference which is certain to become more marked in the future."

The membership of the association increased during the 1927-28 season from 4,307 to 4,849.

FARM BUREAU SERVICE COMPANY HAS EXPANDED

When the purchasing department of the Louisiana Farm Bureau Federation, Baton Rouge, began business in the 1922-23 season, it handled only two commodities, nitrate of soda and superphosphate. Gradually through the years the list has expanded and in 1928 the service department, as it is now called, handled 80 commodities, all of which were distributed to the members at wholesale rates. In the first year the volume of business was \$200,000, in 1927-28 it had grown to over \$1,000,000. Sales for the entire period, to the end of the fiscal year, June 30, 1928, amounted to \$4,152,394.

All business is done on a cash basis. The service department pays cash on its contracts and members pay cash for their purchases. This makes wholesale rates available to members, with an estimated saving of 20 per cent. On this basis the management estimates that the service department has saved \$830,478 for farm bureau members on purchases.

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PATRONAGE DIVIDENDS TO OHIO FARMERS

Patronage dividends to the amount of \$124,592 were paid to farmers by the Ohio Farm Bureau Service Company, Columbus, on fertilizers purchased in 1928. The spring orders for fertilizer were for 25,087 tons, which quantity broke all the records of the service company. Since the company began operating January 1, 1923, it has returned approximately \$700,000 to farmers in refunds in connection with their purchases of fertilizers.

Feed purchased through the service company for 1928 amounted to 35,000 tons, which was an increase of nearly 10,000 tons over 1927. The company is now considering the matter of disseminating information relative to feeds and feeding. Also it is considering the advisability of purchasing or building a feed mill for grinding grain and mixing the ingredients used in the open-formula feeds handled by the company.

A smaller quantity of grain than usual was marketed in 1928. This was because of the short corn crop in 1927 and the short wheat crop in 1928. The total quantity handled was 850,000 bushels.

Because of the short wheat crop the company arranged for 60 cars of wheat suitable for seed, and this was distributed among Ohio farmers.

The handling of lubricating oils and auto tires were two new lines of activity taken up in 1928.



### COOPERATIVE OIL BUYING IN NEBRASKA

The number of local oil companies affiliated with the Nebraska Farmers' Union Cooperative Oil Association, Omaha, increased from 12 to 37 in 1928. A total of 599 cars of gasoline and kerosene, 4 cars of distillate, and 75,000 gallons of lubricating oils were handled by the state association during the year. These purchases amounted to \$400,000. The association, which is not incorporated, was formed in June of 1927 by nine local oil companies. The agreement binding the locals together designates the Farmers' Union State Exchange, Omaha, as purchasing agent for the state organization.

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### COOPERATIVE OIL STATIONS IN NORTH CENTRAL STATES

A recently compiled list of farmers' cooperative oil stations in the North Central States shows 52 active organizations in Minnesota, 20 in Wisconsin, 14 in Iowa, 3 in South Dakota, and 1 in North Dakota. The oldest of the Minnesota stations is the Cottonwood Oil Company in Lyon County, which was organized by a group of farmers on July 7, 1921. The management states that the payments to farmers in patronage dividends amount to several times the original investment. The second oil company was formed by Steele County farmers in 1922. During the six years that this company has been operating it has paid \$98,287 to farmers as patronage dividends.

Most of the oil companies are organized with capital stock on which interest not to exceed 8 per cent is paid. The number of shares of stock that can be held by a single individual is usually limited to two or four, with but one vote for each individual. Shares of stock usually have a par value of \$25. After the payment of interest on capital, ten per cent of net earnings goes to a permanent surplus and the remainder of net earnings may be distributed as patronage dividends.

An overhead organization, the Minnesota Co-op Oil Company, was formed in 1926 to serve as a purchasing agent for the local associations. Total business by this federation of cooperatives amounted to \$260,000 in 1927 and to approximately \$400,000 in 1928. The federation not only supplies its member-units with petroleum products but assists in the organization of new local associations, in installing bookkeeping systems, and has recently added an auditing service.

A recent statement from the management of the overhead company says, "Most of the (local) companies follow the plan of having a directors' meeting each month, and having the secretary give a profit and loss statement for the previous month, together with a list of checks issued. In this manner . . . the directors become familiar with the details of the organization." Another statement is to the effect that "the wasteful duplication of service stations and gasoline delivery trucks has been greatly reduced in communities where cooperative oil companies have been in operation."



ASSOCIATION CAN NOT CANCEL LOANS TO SUBSIDIARIES

On November 27, 1928, the Court of Appeals of Kentucky decided the case of the Burley Tobacco Growers' Cooperative Association v. Tipton et al., 11 S. W. (2d) 119. This suit was brought by members of the association who sought thereby to prevent the association from canceling debts (based on money loaned) due it by subsidiary warehousing corporations formed by the association, and for the purpose of compelling the association to reduce such indebtedness, to cash and distribute the proceeds among those entitled thereto. The total amount of money involved was \$1,917,255.87.

The association, following its formation, entered into contracts with 102,000 growers of Burley tobacco, the contracts running for five years. The contract expired with the crop of 1926. During the life of the contract, the association handled 987,721,145 pounds of tobacco for its members, which sold for the gross aggregate sum of \$199,732,740. The proceeds of this tobacco have been distributed among the members of the association, except the sum of \$1,917,255.87. This fund came into existence by reason of the fact that the marketing contract of the association provided that, in addition to making deductions covering marketing costs, the association was authorized to make deductions for "creating funds for credits and other general commercial purposes (said funds not to exceed one per cent of the gross resale price). The annual surplus from such deductions must be pro rated among the members delivering tobacco in that year on the basis of deliveries." The entire amount deducted, as aforesaid, amounted to \$1,997,327.40, but this amount was reduced under the directions of the board of directors of the association by \$80,071.53, and no complaint was made regarding the expenditure of the last mentioned sum.

The association was instrumental in the formation of subsidiary warehousing corporations. Deductions were made by the association from the proceeds arising from the sale of the tobacco of members residing in a particular district for the payment of the properties acquired by the warehousing corporation operating in that district. The warehouse corporation then issued to each grower its common stock covering the amount of the deductions from the sale of his tobacco used in the acquisition of said warehouse properties. When the property of a warehouse corporation was fully paid for, the corporation had outstanding common stock in the hands of the growers, and the stockholders of the warehousing corporations and the members of the association were identical, except as to transfers of interest or stock in the warehousing corporations, made by a small percentage of the growers. The financing of the warehousing corporations was carried out pursuant to a contract between the association and the separate warehousing corporations.

Owing to the fact that the warehousing facilities acquired by the warehousing corporations, as outlined above, were not sufficient to handle the crops delivered by the members to the association, additional facilities were required by the warehousing corporations. These corporations had no funds with which to acquire such facilities. The warehousing corporations then issued bonds which were redeemed by the association through the use of the fund of \$1,917,255.87. Money used by the association for redeeming the bonds of the warehousing corporations was required to be repaid by the warehousing corporations to the association. The association took action with a view to canceling the claims which it had against the warehousing corporations and this precipitated the suit.

The lower court held against the association and ruled that the entire fund under discussion must be distributed by the association among its members or those entitled to the proceeds thereof, except such sums as had been actually expended by the association for credits and other commercial purposes and could not be recovered by the association. The trial court further held that it was the duty of the association to collect the money from the warehousing corporations and distribute it to those entitled thereto.

The Court of Appeals of Kentucky, in reversing the judgment of the lower court, held that, inasmuch as it was conceded that "the use of the fund in acquiring additional facilities for the warehousing corporations was a lawful using of that fund to the extent that it was used," "then it must have been used for credits or commercial purposes." Therefore, the court pointed out, there could be no surplus until the amount so used for credits and commercial purposes had been deducted from the amount of the funds so received and, in view of the facts, held there was no surplus for distribution under the term of the contract. The court, however, said:

This does not mean, however, that because the board of directors of the association bought and paid for the additional facilities, charging the cost thereof to the warehousing corporation, the association may now cancel its debts against the warehousing corporations. The effect of such a procedure would be to transfer assets of one corporate entity to the assets of other corporate entities without any satisfactory reason therefor. If the association had acquired the additional facilities in its own name with the money which it expended out of the 1 per cent fund, the association would now own such facilities.

These debts against the warehousing corporations are valid obligations from those corporations to the association, and they may not be canceled by the association. The association may exercise its own judgment, as long as it is exercised honestly and free from fraud and inequities, as to when it will require warehousing corporations to discharge this indebtedness. As to whether the association may again use the fund when collected for credits or other general commercial purposes, is unnecessary for us to determine at this time. Eventually, and at the discretion and judgment of the board of directors of the association, honestly exercised, free from fraud and inequities, this fund will be distributed among the members of the association and those having acquired rights from such members.

It may be that the members of the association will find it to their best interest to again conduct their affairs through the instrumentalities of the association and the warehousing corporations. Many millions of dollars have been expended in perfecting the organization which now exists, and in acquiring the properties now held by the association and the warehousing corporations. It appears to us that the question of whether the organization should be held in readiness, awaiting developments in the future, is one which addresses itself to the sound discretion of the board of directors of the association. The association is not dead, and it may be re-energized without delay, and without the cumbersome proceedings of starting anew, if the necessity therefor should arise. The fact that it is ready to again take up and pursue the purposes for which it was organized, may be of itself of great value to the members. We have disposed of the question sufficiently to make clear the law governing the questions before us. The contracts proposed between the association on one side, and the warehousing corporations on the other, may not be carried out, in so far as they provide for a cancelation of the indebtedness arising from the advancement of money from the 1 per cent fund.

It is interesting to note that the court pointed out that it was admitted "that those who had once become members still remain so, except where death has intervened," although the contracts with the various growers had expired. In other words, it was conceded that membership did not terminate with the termination of the marketing contract.



### NEW BULLETIN ON MILK MARKETING

"The Basic Surplus Milk Marketing Plan," Bulletin No. 231, issued by the Agricultural Experiment Station, Pennsylvania State College, continues the study of milk marketing in that state, especially in the Philadelphia milk shed. A previous bulletin, No. 208, issued by the Experiment Station, on "Milk Marketing in Pennsylvania," dealt particularly with milk-marketing plans. It presented a picture of the plans of operation of the cooperative associations in Philadelphia and Pittsburgh, as well as in some outside markets, and dealt with some of the economic principles involved in fluid-milk marketing.

Bulletin 231 deals with the problem of adjustment of production in conformity with the basic-surplus plan in operation in the Philadelphia milk shed, so as to secure a more even production throughout the year. The survey goes considerably farther than the usual study of production-control plans. It presents data from individual producers who are operating under the plan, analyzes their methods of adjustments and points out the economic consequences of these adjustments. It attacks the problem from the farm management side as well and makes clear the fact that the amount of adjustment which any individual should make ought to depend on the economic organization of his farming operations. It points out that the amount of natural pasture on the farm has been one of the principal factors which prevented certain farmers from producing a greater proportion of their milk during the winter months.

The study shows that there has been no consistent procedure on the part of individuals within any particular area. It does show that many individuals have brought about an overadjustment which may not have been the most economical. The fact that individual producers have reacted differently has been one important reason why the Inter-State Milk Producers' Association was able to operate for some six years without modification of its plan of using the average of the three fall months of October, November and December, as the basic quantity employed in calculating prices during the following nine months. Had producers reacted as they did in sections devoted largely to grain or with little pasture, modification would have been necessary much sooner. As it was, the seasonal variation in 1925, was 31 per cent less than in 1921. The base period was modified in 1926.

The study also includes considerable data from cow-testing associations and from producers not operating under the basic-surplus plan. The question of the profitableness of fall freshening cows is covered in considerable detail. The data show that fall-freshening cows invariably produced more pounds of milk per year than those freshening in the spring, though in all cases except one they received more feed. The writer of the bulletin infers that profit per cow on farms having a large amount of pasture, might be greater if these cows freshened in the spring, though specific evidence is not offered to substantiate it.



HISTORICAL SKETCHES, NO. I, THE ROCHDALE PIONEERS

When did cooperation begin? So far as known at present the first societies were the cheese rings formed by Swiss and French peasants in the Jura Mountains. A recent writer states: "Unquestionable documentary evidence proves their existence in the thirteenth century."

To many minds the modern cooperative movement really began with that little group of English flannel weavers, known as the Rochdale Equitable Pioneers' Society, who started a humble provision store in 1844. Certainly they were not the first cooperators, nor the first to join forces to buy food supplies. In Scotland there was such a society in 1769 and at least 20 by 1844. A number of these "victualling societies" persisted for many years and left rather complete records of their affairs. There were also a number of societies in England organized under the influence of Robert Owen and the Christian Socialists.

However, the Rochdale Pioneers are known because they started their store on a basis which proved practical and permanent, and because it filled a need and prospered, it led to the formation of other store societies, and then of the Cooperative Wholesale Society, now one of the largest business institutions of the world.

Weavers and other working people in the British Isles were in sorry straights in the early years of the nineteenth century. The invention of the steam engine threw many out of work; wages were low, employers were inconsiderate; many workers, including women and small children, were virtually slaves. Every penny had to count, and it required patience and persistence for the 28 "Pioneers" to save twopence a week for a whole year to start a store. With capital of £28, or about \$140, they rented a dismal room in unattractive "Toad Lane" and opened for business on December 21, 1844, with infinitesimal quantities of four commodities: flour, sugar, butter, and oatmeal. Little wonder that the neighbors laughed and jeered! But the store was successful from the first. The system of selling goods at regular prices and refunding earnings at the end of the quarter, was a stimulus to patronage. This has been called a system of "feeding cooperation on its profits."

A historian comments in 1892:

The Rochdale system of cooperation was the littlest, the obscurest, the most unfriended, the least hopeful, the least likely to succeed, of any system ever devised by man. Yet it has not ceased to be. On the contrary, it continues to grow, and it is even now the most prosperous system yet devised for the amelioration of the workers of England. How did the Pioneers bring this to pass? . . . . They put principle first and profit second . . . . Like Diogenes, they went in search of honest profit by the light of principle, and they found it in honest cooperation . . . .

TREND TOWARD LARGE-SCALE COOPERATION IN OHIO

Local cooperation in Ohio is giving way to large-scale activity through the adoption of the chain system of operation. Several years ago the plan of establishing county service companies for shipping livestock, concentrating wool, distributing fertilizer and feeds and other commodities, was launched by the Ohio Farm Bureau Federation. Each company was a separate enterprise with considerable local control. These organizations have been helpful to the farmers in the cooperative marketing of their products and the purchase of farm supplies. Furthermore, they have paved the way for large-scale cooperation.

The Ohio Farm Bureau Corporation, Columbus, has been set up by the Ohio Farm Bureau Federation, and the corporation, among other things, is establishing local service stations on the chain-store plan. At the beginning of 1928 there were stations at six points. Only one of these, however, had a warehouse. By the close of the year, five of the six branches were provided with warehouses and other marketing facilities. In addition, six new branches had been established and equipped for cooperative marketing and purchasing. In one instance a merchandising and milling business was taken over. Applications were on file for the establishment of branches at nine additional points. In some cases these replace local cooperative associations, share capital in the Ohio Farm Bureau Corporation being exchanged for the capital stock of the local enterprises.

These branch service stations are prepared, in most cases, to ship livestock, concentrate wool for shipment to the Ohio Wool Growers' Cooperative Association, distribute fertilizers, feeds, auto tires, farm implements and other supplies required by farmers. The branches are managed from the central office in Columbus, where the bookkeeping is done and where contact is made with the state-wide marketing and purchasing associations.

The Ohio Farm Bureau Corporation was organized September 8, 1925, under the general corporation laws of the state, and began business on April 15, 1926. It now has an authorized capital stock of \$500,000 consisting of 5,000 shares of preferred stock (agricultural shares) which are sold to the public, and 2,500 shares of no-par-value common stock, all of which is held by the Ohio Farm Bureau Federation.

The corporation owns the entire capital stock of the Ohio Farm Bureau Service Company, which is an agency for the marketing of grain and the wholesale purchase of fertilizers, feeds, seeds, lubricating oils, etc. The corporation also owns half of the common stock of 14 county service companies, besides owning outright the twelve branch service stations mentioned above. In addition the corporation holds the general agency of the Farm Bureau Mutual Automobile Insurance Company. In brief the corporation is the management agency for the State-wide service company, of the county service companies, the branch service stations, and the Mutual Automobile Insurance Company.

MANY POLICIES WRITTEN FOR AUTO INSURANCE

Having reached the ripe age of two years, the Michigan Farm Bureau Mutual Insurance Company announces that it has already written over 25,000 policies in the State of Michigan. During the past year the agents wrote 17,076 new applications for automobile insurance, and by the 19th of January, this year, they had written 1,000 more.

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OHIO MUTUAL AUTOMOBILE INSURANCE COMPANY

The Farm Bureau Mutual Automobile Insurance Company, Columbus, Ohio, chartered April 14, 1926, has become the largest business project of the Ohio Farm Bureau Federation. At the end of 32½ months of operation its resources amount to \$1,025,000, and its surplus to more than \$175,000, thereby outdistancing all other Ohio Farm Bureau enterprises.

When the company was formed few farmers were carrying automobile insurance because of the cost. While farmers were a preferred risk, no companies in the Ohio section were giving them the advantage of reduced rates for insurance. When favorable rates were offered by the new company the farmers were quick to respond, and in two days after securing its license the company wrote policies totaling \$1,418,400. In two weeks the amount had grown to \$2,327,120, and in two months the applications were coming in at the rate of 100 per week. Now the association is serving 46,000 farm families and estimates that it is saving its policy holders more than \$1,000,000 annually.

The Farm Bureau Mutual Automobile Insurance Company is now licensed to operate in seven states: Ohio, West Virginia, Maryland, Delaware, North Carolina, New Hampshire, and Vermont, and has 586 licensed agents. Up to January 1, 1929, the sales commissions paid these agents amounted to \$466,577, and net earnings totaled \$163,000. The latter fund has made possible the development of a number of important farm bureau projects including the recently completed home office building.

More than 8,000 claims against policy holders for damages have been handled, the amounts ranging from \$1 to \$75,000. The total amount of the 8,000 claims is estimated as at least \$750,000.

The company provides intensive training for its sales force. It has issued a sales manual to its agents, provided them with sales kits, and sends them a weekly sales bulletin. Supervision of the field force is maintained through district sales management and annual conventions.



AN INTERNATIONAL BIBLIOGRAPHY OF COOPERATION

The Library of the School of Cooperative Studies, Sofia, Bulgaria, has begun the compilation of an international bibliography of books and other publications on cooperative subjects. Already the titles of 1,620 books have been listed. The library asks for assistance in this work and urges interested persons to send lists of publications each year, as well as copies of any cooperative publications for free distribution.

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PROGRAM FOR OKLAHOMA'S CO-OP SCHOOL

A number of prominent speakers are booked for the Oklahoma School of Cooperative Marketing, to be held at Stillwater, February 13-20. The names include those of several representatives of the Division of Cooperative Marketing of the U. S. Department of Agriculture, the managers of various large cooperative enterprises, and others who are active in encouraging the cooperative movement. Matters connected with the ginning and marketing of cotton occupy a large share of the program. One session is given mainly to wheat, while education, legal matters, and general problems of cooperative enterprises are not neglected.

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COOPERATIVE SCHOOLS POPULAR IN COLORADO

Colorado farmers have recently had the privilege of attending a series of schools of cooperative marketing, similar to those held a year ago. Six schools were held, at Lamar, Wiley, Rocky Ford, Fowler, Sterling, and Fleming. Each school lasted two weeks, two being held as a group each time, the instructor going to one in the afternoon and to the other in the evening.

The schools were conducted on the conference plan, beginning with the principles of marketing and concluding with discussions pertaining to the marketing problems of the farmers in the immediate locality.

Each school was supervised by the local teacher of vocational agriculture, with the cooperation of the county agent. The State Board of Agriculture arranged for the schools; the U. S. Department of Agriculture furnished films and other material; and the State Vocational Education system met the expenses.

The instructor for these schools, the editor of the Cooperative Marketing Journal, made many contacts with business men at luncheon clubs and other places. He also addressed meetings of high school students, churches, and other groups.

So many communities are now calling for similar schools that the Vocational Education system is arranging for local men to take up the work in an experimental way.



REPORTED BY THE ASSOCIATIONS

The precooling facilities of the Lake Alfred Citrus Association, Lake Alfred, Fla., include 13 rooms, each with a car-load capacity.

At the recent annual meeting of the Calgary and District Milk Producers' Association, it was decided to establish a plant in Calgary, Alberta, for the distribution of milk. One hundred twenty-five milk producers are interested in this new move.

January shipments by the California Fruit Growers' Exchange, Los Angeles, included 16,000 boxes of oranges, 400 boxes of grapefruit, and 1,200 boxes of lemons, to Australia, New Zealand and the Orient. Fifteen thousand boxes of citrus fruit were sent to Honolulu.

Cost of insurance against fire, lightning and tornadoes through the Farmers' Union Mutual, Oklahoma City, Okla., has ranged from 40 cents to 90 cents per \$100 for the seven years of operation. The average annual cost for the period is a little less than 60 cents per \$100.

Under the by-laws of the Sheffield Producers' Cooperative Association, Inc., North Chatham, N. Y., one-half cent on each hundred pounds of milk may be deducted for expenses. During 1928 it was necessary to make this deduction only during April, May, June, July, and August. The amount deducted was sufficient for operation until the flush season of the coming spring.

Approximately 200 newspapers with a total circulation of 13,500,000 are carrying advertisements for Florida citrus fruits this winter. The various fruit associations have contributed nearly a half million dollars for the 1929 advertising campaign. A retain of five cents a box for advertising is being made by the operating units of the Florida Citrus Exchange.

Sales of the Cooperative Trading Company, Waukegan, Ill., totaled \$679,305 in 1928, a gain of \$99,751 over the previous year. Figures showing gross sales for each department of this store are as follows: dairy department, \$313,154; main store, grocery, \$139,980; main store, meat market, \$114,400; branch grocery, \$64,393; branch meat market, \$28,288; bakery department, \$19,087.

A big newspaper and radio advertising campaign for the California Fruit Growers' Exchange, Los Angeles, is now under way. Beginning with January 15, advertisements began in 147 newspapers in 108 markets in the United States and Canada. This feature of the campaign is to continue for 10 weeks. Beginning in February, the "Sunkist Melodists" will give weekly programs over a broadcast hook-up covering the Eastern States and the states of the Middle West.

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